Listening to Clients

**An Interview with Peter Riguardi,
President - New York Tri-State Region, JLL**


Peter Riguardi

EDITORS' NOTE *Prior to joining JLL (jll.com/new-york) in September 2002, Peter Riguardi was Vice Chairman and Principal of Colliers ABR Inc., a company that he helped form in 1994. He started his real estate career at GVA Williams in 1983, where he was the youngest Senior Vice President in the firm's history. During his 32-year career in commercial real estate, he has been actively involved in several of the largest and most noteworthy transactions in metropolitan New York City. Peter Riguardi is consistently ranked by the* New York Observer *as one of New York's most influential real estate executives.*

COMPANY BRIEF *JLL (jll.com) is a professional services and investment management firm offering specialized real estate services to clients seeking increased value by owning, occupying, and investing in real estate. With annual fee revenue of $4 billion and gross revenue of $4.5 billion, JLL has more than 200 corporate offices, operates in 75 countries, and has a global workforce of approximately 53,000. On behalf of its clients, the firm provides management and real estate outsourcing services for a property portfolio of three billion square feet and completed $99 billion in sales, acquisitions, and finance transactions in 2013. Its investment management business, LaSalle Investment Management, has $50 billion in real estate assets under management. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated.*

How do you see the market today and does it feel different than it did in 2006/2007?

In 2006/2007, we were dealing with robust financial service firms, with trading floor space goals and ambitions that were fueling large space needs and specialty type buildings in specific areas accustomed to housing big businesses in New York City.

Today, we're dealing with companies – small, big, established, or start-up across all sorts of business lines, not just financial service – looking to be in areas we wouldn't have expected to be successful in commercial districts 20 years ago.

Not that those areas weren't gentrified – like Midtown South, Lower Manhattan, the Lower East Side, or even Brooklyn – but the pace and scale to which occupier demand has soared has been astounding. The transformation and invigoration of surrounding neighborhoods, office rental rate growth, residential development, and the retail explosion block by block have served the positioning of nontraditional markets as viable business communities.

So we're dealing with a completely different paradigm – a younger, hipper, and more energized workforce seeking a balanced lifestyle and an efficient, but creative and collaborative, work space.

It isn't about big offices and conference rooms; it's about connectivity and energizing, and being attractive to Millennials.

Where I pause and have concern in 2015 is that we're adding product to the inventory, occupying less square footage per person, and experiencing job growth but not necessarily with positions that add people in offices.

We're going to need to balance supply and demand at some point, and while it hasn't resurfaced as of yet, I suspect that the financial services sector, despite the diversification of industry across Manhattan, will continue to be a dominant occupier in the market in the years to come.

Where is pricing today and is the high occupancy that is spoken of really happening?

Pricing continues to increase at a steady pace across all submarkets, particularly in those buildings that historically generate consistent demand among tenants. New York City supports a diverse spectrum of leasing districts at varying price points that cater to the operational needs and economic threshold of a broad range of businesses.

As for high occupancy, the Midtown market is holding steady at roughly 10 percent; Midtown South continues to outperform and maintain a supply/demand dynamic that is favorable for the landlord and Downtown has witnessed strong performance despite the increase in inventory, All in all, the Manhattan market has been the beneficiary of the draw that is New York City for a broad and diverse population of businesses.

Will the great buildings of the past be relevant in comparison to new product?

I think they will. New buildings are doing extremely well because they have visionary developers like Related, Brookfield, Minskoff, and Silverstein, who have constructed top of the line buildings. Some of the new development is also the direct beneficiary of the migration south and west and the battle for talent tapping the population residing in those general areas.

In addition, there are a lot of companies "running" to new buildings who are using fewer square feet per person to justify the economics. In those instances, their last day of occupancy in an existing building looks a lot like their first day of stabilized rent in a new building.

However, new buildings do not have the highest rental achievements in the city, which are occurring across a wide range of existing product, particularly in the Plaza District, and in boutique buildings in Midtown South. Location continues to justify higher prices and the historical cache of certain city addresses continues to attract businesses that have a more mature definition of hip and cool, and embrace the architectural features symbolic of a different era of New York City's evolution.

Among firms that offer similar services, how are you able to differentiate JLL?

Many times, winning an assignment is about a 90-minute presentation, during which it's sometimes hard for the "buyer" to discern meaningful differences in the depth of a platform or scope of service offerings.

But the more clients drill in and evaluate JLL, the more time we spend demonstrating what is behind our salespeople, the more competitive and differentiated our people, market position, approach, and solutions become. Our ability to facilitate that level of scrutiny for our clients is where JLL thrives and is able to secure the ability to truly partner with them.

Is there innovation taking place within this industry?

Yes. Innovation is a change agent for this industry. Technology is driving and supporting how real estate is managed; how we communicate with clients, partners, and prospects; how we go to market as a business; and how we expedite decision cycle times. JLL is actually at the forefront of the development and deployment of tools that seek to aggregate and analyze data from multiple sources and translate that into business intelligence that informs decision-making. At some point in time, all of this will lead to innovation around online brokerage at a fairly substantial level. As the saying goes "if you're not in the technology business, you're not in business."

For you, is it still about the client relationship?

The vision for our business in New York comes from listening to our clients. They're the ones who keep pressing us and challenging us to be better, to innovate, and to invest in our business. This enables us to understand where the business needs to go next and what is important to our clients. So it's all about the clients. ●